

SUMMARY

The Wine in the Woods festival is held each year in May and is sponsored by Howard County's Department of Recreation and Parks. The 2004 event was held on May 15th and 16th. After the festival, the Department of Recreation and Parks reconciles the amount of revenue that should have been collected based on ticket sales to the amount of revenue actually collected. After several attempts to reconcile, it was determined by the department that approximately \$30,000 in revenue was unaccounted for, and the assistance of our office was requested.

Our detailed review of the tickets and the deposits confirmed a difference of \$29,250. This is approximately 11% of the \$262,215 that should have been collected based on tickets sold. In addition, we reviewed the internal controls and procedures related to the festival revenue collections and found them to be inadequate. There is insufficient documentation, through the records alone, to determine who was responsible for the missing funds. Several individuals had the most access, and the Police Department and the State's Attorney's Office are continuing their investigations into this case. They have read the information in our report and agree with our findings.

Based on our review of records and interviews with personnel, we made numerous recommendations for changes in policies and procedures at future wine festivals. These recommendations include reducing the number of people handling the money, reducing the distance the money must be transported, and implementing greater controls on the transfer of money from the cashiers to the counters to the bank. We recommended that better records be maintained of the amount of cash received and that cash received be matched to tickets used. We believe that these recommendations, when implemented, will greatly reduce the likelihood of a discrepancy in the future, as well as leave an audit trail to the personnel potentially responsible if any differences occur. We will work with the staff at the Department of Recreation and Parks to implement these recommendations and prepare appropriate forms.

INTRODUCTION AND SCOPE

Wine in the Woods is an annual wine festival sponsored by the Department of Recreation and Parks. It has been held on a weekend in May every year since 1993. Our audit was conducted shortly after the 2004 festival. The 2004 festival was held on Saturday, May 15th and Sunday, May 16th. The festival features Maryland wines, as well as food, crafts and music. The 2004 event drew approximately 15,800 people. The festival is budgeted in the Department of Recreation and Parks Self-Sustaining Fund.

Our audit was conducted at the request of the Administration through the County Council. We focused on the ticket sales, cash receipts, and cash deposit procedures for tickets purchased on the two festival dates. After the Department of Recreation and Parks discovered that there was a significant discrepancy between the total same day ticket sales and the total bank deposits for those sales, they requested the help of our office. Our audit included a review of the procedures followed at the festival for ticket sales and cash receipts. We examined supporting documentation, including tickets and deposit records, and interviewed appropriate personnel. We recommended that additional internal controls be implemented in order to safeguard the cash collected and tickets sold. Our report and recommendations follow.

BACKGROUND

We first conducted an audit of Wine in the Woods and issued a report in September 1997. In December 2000, we performed a follow-up review. We were told at the time of our follow-up review that most of the previous audit recommendations had been implemented. Proper safeguards over the tickets had been provided. Recommendations regarding the collection of cash were reported to have been implemented. In our audit report of September 1997, we recommended that pre-numbered envelopes with pre-determined amounts of cash for change and tickets be used. All of the cash and unused tickets would be placed into the old envelope and the contents of a new envelope would then be used. The Department stated that this method was implemented in 1997. During our review of the 2004 festival, we determined that our recommendation regarding increased controls over cash had not been implemented.

Ticket Sales

There are many different types and colors of tickets issued for the Wine in the Woods event. Four types of tickets require a purchase price. The general admission, designated driver, and youth tickets are purchased on the day of the event at an entrance gate to the festival. Both general admission and designated driver tickets cost \$20 while youth tickets cost \$5. Tickets purchased prior to the event cost \$18. These advance purchase tickets could be used on either day. In addition, various free tickets which could also be used on either day were provided to VIPs, wineries and volunteers.

General admission tickets consist of a stub which is torn off and kept by the issuer of the ticket, a ticket for a free wine glass, and ten drink tickets each for a one ounce sample of wine. The designated driver tickets consist of a stub, a ticket for a wine glass, and four drink tickets for soda. The youth tickets consist of a stub and two drink tickets for soda. Tickets sold at the gate include general admission, designated driver and youth. These tickets are dated and colored differently for each day. A Saturday ticket could not be used for Sunday and vice versa.

There are two gates whereby patrons may enter the festival. Each gate consists of three lines for those purchasing tickets and one line for those with prepaid or free tickets. At each line, there is a volunteer who checks identification (for age) and distributes programs and a paid staff member who acts as a cashier, accepting money in exchange for a ticket and providing change. This individual also rips the ticket and places the stub in a box to be counted later. A gatekeeper supervises the four lines. There is also a ticket supervisor who distributes tickets to the gatekeepers as needed and collects all envelopes of used tickets at the end of the day. The supervisor also maintains control of all unused tickets.

Used tickets are collected by the gatekeeper from each cashier every hour and placed in an envelope. Envelopes are labeled with the time, date and gate number. The envelope is delivered to the volunteer tent where the tickets are counted, as time permits, by volunteers. See Attachment 1 for a flowchart of the cash collection process.

Cash Receipts

Cash and checks are collected by the gatekeepers throughout the day and transferred to a runner. The runner brings the money to the administrative house at Merriweather Post Pavilion to be counted. This cash is not counted before it is given to the runner, it is not placed in a sealed bag, and no time records are kept of the transfer. At any one time, there were one or two runners transporting cash between the two gates and the house during the two day festival. A total of three runners transported cash over the course of the festival. Runners often put the cash into their pockets for safekeeping, or placed it in an unsealed envelope. At the house, runners would then dump the cash onto a table to be counted. See Attachment 2 for a flowchart of the money counting process. The counters counted the cash, verified it with a money counting machine, and gave it to another individual who prepared the deposit slip. There were two co-chairs of the cash counting process, but only one of the two prepared the deposits. We were told that there should always be at least two people in the house at any time during the festival. Often there were between four and six people counting cash. Usually there were at least two people in the house. There were times, however, when there was only one person in the house. The deposit amounts were recorded on a memo pad. No log was kept of the number of times the runners brought money or the amounts brought at any one time. Trips to the bank to deposit the money collected were made by one of the two co-chairs three times a day with a police escort. One of the co-chairs made two of the trips to the bank each day, the other co-chair made one trip to the bank each day. No record was kept of the number of deposits made on any one trip or the time of the trips.

There is a police officer stationed in the house. He is not in the actual room where the counting of the cash takes place, although he has visibility into the room from an open door. See Attachment 3 for a map of the festival.

Start-up Cash

For the 2004 festival, as well as festivals in the past, \$25,000 in cash was obtained from the bank to use as a change fund. This cash consisted of \$2,200 in fifty dollar bills, \$7,300 in twenty dollar bills, \$6,400 in ten dollar bills, \$6,075 in five dollar bills, \$3,005 in one dollar bills, and \$20 in quarters. This cash was counted on the Thursday before the festival by employees at the Department of Recreation and Parks. It was then stored overnight in a safe at the department's offices. On Friday the cash was taken home by the Director. He delivered the bag of cash to the festival on Saturday morning. This amount of start-up cash is excessive. If the ticket prices remain at \$20 for general admission and designated driver and \$5 for youth, the start-up cash could be drastically reduced. This cash was used to supply the six cash boxes at the gates with \$550 each, and the cash box at the promotions tent with \$245 at the start of each day of the festival. The cash boxes at the gates each contained \$200 in twenty dollar bills, \$150 in ten dollar bills, \$150 in five dollar bills, and \$50 in one dollar bills. The cash box at the promotions tent contained \$80 in twenty dollar bills, \$50 in ten dollar bills, \$55 in five dollar bills, \$50 in one dollar bills, and

\$10 in quarters. A total of \$3,545 was taken out of this change fund at the beginning of the festival. During the day, the remaining \$21,455 was kept in a tote bag in the house.

Promotion Sales

Many promotional items are sold at the festival. These items include tee shirts and hats. Cash and checks are collected at the promotion booth, and delivered to the house by the runners. We were told that receipts from the sale of promotional items are kept separate from ticket sales and are recorded on separate deposit slips. From our analysis of the deposits made to the bank, cash from the sale of promotional items was not always kept separate from ticket sales and was not always deposited separately. Several of the deposits for ticket sales included uneven amounts. Since tickets cost either \$20 or \$5 at the gate, deposits for tickets sales should always be divisible by five. We were told that some differences were caused by cashiers accepting prior year \$2 coupons. However, two of the deposits for ticket sales not only were not divisible by five, but also included cents. Therefore, some cash from the sale of promotional items must have been included in the deposits for ticket sales. Total promotion sales were \$4,071 according to the bank deposits, however according to records maintained by the Department of Recreation and Parks, total promotion sales were \$3,197.

FINDINGS

We documented the actual procedures followed at the festival by interviewing personnel involved and preparing flowcharts of the procedures. See Attachments 1 and 2 for our flowcharts of the money collection process and the money counting process. We determined where the lack of controls existed and recommended changes to policies and procedures to improve controls in the future.

Through our interviews and discussions about the procedures followed during the festival, we determined that 29 different people had access to the cash collected over the two day festival. This includes 11 cashiers, four gatekeepers and a supervisor at the entrances, three runners who brought the money to the house to be counted, eight people who counted the money, and two people who safeguarded the cash overnight. See Attachment 3 for a map of the festival which depicts where the gates were and where the money was counted.

Based on the records alone, we were unable to determine who, if any, of these 29 individuals was responsible for the missing receipts. Due to a complete lack of controls over the cash and the absence of adequate internal controls, many of these individuals were alone with significant amounts of money for a period of time. We will work with the Department of Recreation and Parks to develop policies and procedures detailing all aspects of the collection of money on the festival days and the subsequent deposit of such money in the appropriate bank account. Emphasis should be given on having the least number of individuals have contact and responsibility for the money, ensuring that those individuals who do handle the money do so in groups of at least two.

We interviewed all of the personnel assigned to the money counting process in the house. We received conflicting reports regarding the start-up cash. We were told by some personnel that this bag of cash was used to make change; others said this bag was never used, and still others did not remember the bag at all. Some said deposits included money from this bag during the day, others said that it was deposited at the end of the day, and still others didn't know. We do not know what really happened. We can only make recommendations for future improvement.

During our interviews with personnel in the house, we discovered that there were additional individuals in the house who were not working there and that purses and backpacks were brought into the house. These situations,

along with the poor cash handling procedures, created the possibility of loss.

Based on our interviews with festival personnel, there were no expenditures made out of the cash as there had been in the past. That could have been a possibility for differences. The only time money was removed from the cash was twice when packs of one dollar bills (\$100 each) were given to the wineries for change. Both times the \$100 was given to a runner who returned it to the money counters at the house.

Cash Receipts

We reviewed the log of deposits prepared at the house as well as copies of the actual deposit slips, receipts and bank records. The deposit bags were tamper proof and were sealed prior to deposit. A tear off receipt was kept with a copy of the deposit slip. The bags and receipts are pre-numbered; however, no record was kept of these numbers in the log. There were ten deposits made on Saturday and nine on Sunday for ticket sales. Deposits ranged from \$1,100 to \$25,000. The first deposit made was for exactly \$25,000 to reimburse the account for the \$25,000 change fund. This deposit was made from cash receipts from ticket sales. There was no indication on any of the deposit slips or on the log of a deposit for the remaining \$21,455 change fund. There was no record kept as to the time of each deposit; therefore we were unable to reconcile the deposits made with the tickets sold.

Tickets

During our interviews with the gatekeepers, we learned that it was the practice at some of the gates for cashiers to pre rip tickets in advance in order to save time at the beginning of the festival. We strongly discourage this practice as it can lead to mistakes in the number of tickets sold and also result in timing differences if pre ripped tickets are included in the envelope for an incorrect time period.

Due to differences in previous counts by the Department of Recreation and Parks and the Department of Finance, we recounted all the same-day tickets, both used and unused, for the two days. We noted some errors in the other counts. According to our count, 6,793 general admission, 189 designated driver and 396 youth tickets were sold at the gate on Saturday. At the prices described above, these tickets amounted to \$141,620 in revenue collected on Saturday. On Sunday, 5,833 general admission, 151 designated driver, and 303 youth tickets were sold. This amounted to \$121,195 in ticket revenue collected on Sunday. Total gate sales for the two day festival were \$262,815.

On Saturday, \$25,000 was used as start up money. Adding the ticket revenue of \$141,620 to the \$25,000 in start up money, and then subtracting the start up money saved for Sunday of approximately \$3,545 equals \$163,075. This amount should have been deposited to the bank on Saturday. The actual amount deposited on Saturday was \$144,919. A difference of \$18,156 exists between what should have been deposited and what was actually deposited. On Sunday, \$121,195 of ticket revenue was received. Adding this to the start up money saved from Saturday of \$3,545 results in a total amount of \$124,740 which should have been deposited to the bank on Sunday. The actual amount deposited on Sunday was \$113,646. A difference of \$11,094 exists between what should have been deposited and what was actually deposited on Sunday. The combined two-day difference is \$29,250. There are many possible explanations for this difference. Some of the potential explanations include, the \$21,455 start up money left over after the cash boxes were prepared was never deposited or was not fully deposited, the runners who brought the cash from the gate to where the counters were, often stuffing wads of money into their pockets, did not bring all of the cash to the house, or the gatekeepers did not remit all gate receipts to the runners. In addition, the start up money was taken home each night and was not secured in a locked bag, making it susceptible to loss.

Only cashiers, gatekeepers, and money counters should have access to cash. Every half hour during the

beginning of the festival, and every hour later in the day, the full cash box should be exchanged for a new cash box containing only a small set change fund. Each cash box should include as start up cash a set amount of money. Currently the amount of start up cash is \$550, but this amount should be evaluated annually in relationship to the admission prices. The gatekeepers should retrieve the cash boxes from the cashiers and take them to a tent or other structure within a few feet of the gate. Cash would then be counted and a deposit slip would be prepared. A counting machine and at least two counters should be positioned at each gate. After the deposit is prepared it should be placed in a sealed and numbered deposit bag. A log should be kept recording the date, time, cashier, amount, and number from the bag for each deposit. When deposits are taken to the bank, a note should be made in the log of exactly which deposits were made and at what time. A police officer should be stationed near each gate where the money count is taking place.

Deposits for the sale of promotions should be recorded on a separate log to ensure that they are not inadvertently included in ticket sales.

Tickets stubs should be collected from cashiers at the same time the cash is collected. They should be placed in an envelope indicating the date, time, gate and cashier. Tickets sold should match the cash received. Any discrepancies could be traced back to the cashier and the money counter. Someone other than the money counters should count the ticket stubs in a separate location.

RECOMMENDATIONS

Internal controls over cash collection at the Wine in the Woods festival must be improved in order to prevent the loss of cash and to insure that all cash received at the gates is deposited. These controls will not only reduce the number of employees and areas where cash is handled, but also provide a trail to investigate any missing funds. Adequate records and procedures must be established for future years. Therefore, we recommend that:

1. *Runners no longer be used to transport cash between gates and the house. The festival entrance should be moved closer to the house, or use of the house should be discontinued.*

Administration's Response:

The Administration concurs with this recommendation. The Department of Recreation and Parks has revamped the admissions and accounts receivable area and new guidelines have been established (See Administration's Response Attachments 1, 2 and 3) as an alternative to the process outlined by the auditors. These guidelines were developed after Recreation and Parks met and was assisted by the Department of Finance. Finance will be assisting in the implementation of this revised plan.

Auditor's Comment:

The alternative proposed by the Administration is acceptable.

2. *Structures be provided at each gate where money is counted and deposit bags are prepared. This could be an enclosed tent or other structure.*

Administration's Response:

The Administration concurs with this recommendation. Recreation and Parks will have a secure accounting facility at each gate where money is counted and deposit bags are prepared.

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3. One police officer be stationed at each gate near the counting area.

Administration's Response:

The Administration concurs with this recommendation. It should be noted that paying for these officers will incur additional expenses. Recreation and Parks will provide specific training to these officers prior to the event on entry gate security.

4. Two money counting machines be used, one at each gate.

Administration's Response:

The Administration concurs with this recommendation. The County's present bank only has one counting machine to lend at this time but Recreation and Parks will look into renting one or other means of obtaining one.

5. The start-up fund of \$25,000 be reduced to \$6,000 and reevaluated on an annual basis.

Administration's Response:

The Administration concurs with this recommendation. Recreation and Parks is aware of the fact that additional money is not needed when large denominations of \$5's and \$10's are used. In previous years they were required to supply change to customers and additional dollars were needed. This will not be necessary if prices remain at \$20 and \$5 for designated drivers.

6. Cashiers receive a cash box with start-up cash at the beginning of the festival. Every half hour or hour, depending on attendance, these cash boxes should be retrieved by the gatekeeper and a new cash box given to the cashier with a set change fund. Seven additional cash boxes should be obtained in order to facilitate the transfer.

Administration's Response:

Recreation and Parks has implemented this process with different guidelines that were designed with assistance from the Department of Finance. Please refer to the guidelines and attachments noted in the first recommendation.

Auditor's Comment:

The alternative proposed by the Administration is acceptable.

7. The money and checks received in the cash box be placed in an envelope on which the date, time, gate, and cashier is recorded.

Administration's Response:

The Administration concurs with this recommendation and will place money and checks from cash box in an envelope. The date, time, gate and cashier will be recorded.

8. *The money and checks then be counted by at least two people and a deposit slip be prepared for each cash box.*

Administration's Response:

The Administration concurs with this recommendation and this is indicated in the new guidelines.

9. *A log be maintained which includes the date, time, gate, cashier, deposit amount, deposit bag number, and time of deposit.*

Administration's Response:

The Administration concurs with this recommendation and will keep a detailed log.

10. *Ticket stubs be collected at the time the cash boxes are collected. No tickets should be torn in advance before they are sold. The stubs should be placed in an envelope listing the date, time, gate and cashier. The stubs should be counted by someone other than those counting the cash.*

Administration's Response:

The Administration concurs with this recommendation. No tickets will be torn in advance before they are sold. The tickets will be counted and verified in numerical order.

11. *A record be kept of the trips taken to the bank with the police officer to make deposits, including which deposits were made at each trip, the time, date, amounts, and deposit bag numbers. This should be verified by two people. Bank deposit slips should be matched to the amounts written on the deposit envelopes. Deposit slips should be initialed, and the time and date recorded, by the staff person making the deposit.*

Administration's Response:

The Administration concurs with this recommendation and these records will be kept and verified by two staff members. Again, refer to the new guidelines for handling the cash, tickets and counting.

12. *Cash received from the sale of promotions be kept separate from ticket sales. It should be counted separately and deposited separately.*

Administration's Response:

The Administration concurs with this recommendation. Cash received from the sale of promotions will be kept separate from ticket sales.

13. *Written policies and procedures for cash collection and ticket collection at the festival be prepared.*

Administration's Response:

The Administration concurs with this recommendation. It should be noted that there were policies and procedures in place during this past festival. However, new policies and procedures are being developed by an Administrative Analyst II as his Mutually Defined Objective. All of the policies, procedures and guidelines will be in order by the next Wine in the Woods Festival. Both training and evaluation of the process will occur this year.

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